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May 16, 2005

HAND DELIVERY

Beth O' Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
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Frankfort, KY 40602-0615

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movers tree@stites.com

RE: P.S.C. Case No. 99-149

Dear Ms. O'Donnell:

Please accept for filing the original and four copies of the Supplemental Responses of Kentucky Power Company d/b/a American Electric Power to the Commission's June 14, 1999 Order in the above-referenced case. The Responses are for the year ended December 31, 2003 and the quarter ended March 31, 2004.

By copy of this letter I am providing the parties to the case with a copy of the Supplemental Response. If you have any questions, please do not hesitate to contact me.

Sincerely yours,

STITES & HARBISON PLLC

Mark R. Overstreet

cc: William H. Jones, Jr.
David F. Boehm
Elizabeth E. Blackford

KE057:KE131:10997:2:FRANKFORT

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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MAY 16 2005

PUBLIC SERVICE
COMMISSION

In the matter of:

JOINT APPLICATION OF KENTUCKY POWER)
COMPANY, AMERICAN ELECTRIC POWER)
COMPANY, INC. AND CENTRAL AND SOUTH) CASE NO. 99-149
WEST CORPORATION REGARDING A)
PROPOSED MERGER)

RESPONSE OF KENTUCKY POWER COMPANY

Reporting Period: Year Ending December 31, 2004

Filing Date: 16 May 2005

Kentucky Power Company

REQUEST:

Furnish annual financial statements of AEP, including consolidating adjustments of AEP and its subsidiaries with a brief explanation of each adjustment and all periodic reports filed with the SEC. Including but not limited to the USS and U-13-60 reports. All subsidiaries should prepare and have available monthly and annual financial information required to compile financial statements and to comply with other reporting requirements. The financial statements for any non-consolidated subsidiaries of AEP should be furnished to the Commission. [Reference: Merger Agt., Ky. PSC Order dated 6-14-99, pg 10 (Periodic Reports)]

RESPONSE:

Attached you will find a copy of AEP's combined 2004 Annual Reports and the SEC Form 10K (Attachment No. 1), Form USS (Attachment No. 2), and Form U-13-60 (Attachment No. 3) also for the year 2004.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

On an annual basis file a general description of the nature of inter-company transactions with specific identification of major transactions and a description of the basis upon which cost allocations and transfer pricing have been established. This report should discuss the use of the cost or market standard for the sale or transfer of assets, the allocation factors used, and the procedures used to determine these factors if they are different from the procedures used in prior years. [Reference: Merger Agt., Ky. PSC Order dated 6-14-99, pg. 11, Item 1]

RESPONSE:

A general description of the nature of inter-company transactions is contained in the Cost Allocation Manual (CAM) filed May 2001 as Attachment 1. There have been no changes to the procedures used to price inter-company transactions from those used in the prior year. Unless exempted, inter-company transactions conducted by or with Kentucky Power Company are priced at fully-allocated cost in accordance with Rules 90 and 91 prescribed by the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

On an annual basis file a report that identifies professional personnel transferred from Kentucky Power to AEP or any of the non-utility subsidiaries and describes the duties performed by each employee while employed by Kentucky Power and to be performed subsequent to transfer. [Reference: Merger Agt., Ky. PSC Order dated 6/14/99, Reporting Requirements, Pg. 11, Item 2.]

RESPONSE:

Below is a list of employees transferred from Kentucky Power Company during the twelve months ending December 31, 2004.

Kentucky Power Transferees - 12 months ending 12/31/2004

Company	Employee Name	Eff Date	Job Title - New	Job Title - Old
AEP Service Corporation	Alleshouse,Todd W	2004-07-31	Project Manager II	Energy Production Manager II
Ohio Power Co	Fleming,David K	2004-07-31	Station Electrician A	Station Electrician A

WITNESS: Errol K. Wagner

**Kentucky Power Company
d/b/a
American Electric Power**

REQUEST:

AEP should file on a ~~quarterly~~^{**} an annual basis a report detailing Kentucky Power's proportionate share of AEP's total operating revenues, operating and maintenance expenses, and number of employees. [Reference: Merger Agt., Ky. PSC Order dated 6/14/99, Reporting Requirements, Pg. 11, Item 2]

***Note: Pursuant to the Commission's Order dated June 14, 2004, the information pertaining to this data request shall be filed on an annual basis.*

RESPONSE:

**Kentucky Power Company
Report Proportionate Share of AEP
(in millions, except number of employees)**

Twelve Months Ending December 31, 2004

	AEP	KPCO	SHARE
Revenues	14,057	409	2.9%
Operating/Maint. Expense	10,056	191	1.9%
No. of Employees At 12/31/2004*	19,679	424	2%

*See Response to Item No. 6

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

AEP should file any contracts or other agreements** concerning the transfer of such assets or the pricing of inter-company transactions with the Commission at the time the transfer occurs. [Reference: Merger Agt., Ky. PSC Order dated 6/14/99, Reporting Requirements, Pg. 11 (Special Reports)]

***Note: Pursuant to the Commission's Order dated June 14, 2004, the information pertaining to this response shall be filed on an annual basis.*

RESPONSE:

During the twelve month period ending December 31, 2004 there were 26 different transactions in which Kentucky Power Company sold assets to its affiliates. The assets transferred were various meters and transformers. The total dollar value of the assets transferred was \$329,096. The smallest dollar value transferred was one meter at a value of \$20. The largest dollar value transferred was 60 transformers at a value of \$58,536.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

AEP should file ~~a quarterly~~ **** an annual report of the number of employees of AEP and each subsidiary on the basis of payroll assignment. [Reference: Merger Agt., Ky. PSC Order dated 6/14/99, Reporting Requirements, Pg. 11, Item 1 (Special Reports)]**

***Pursuant to the Commission's Order dated June 14, 2004, the information pertaining to this data request shall be filed on an annual basis.*

RESPONSE:

Below is a chart showing the number of employees of AEP and each subsidiary for the twelve months ending December 31, 2004:

Co	Description	Employee Count
E01	Kingsport Power Company	58
E02	Appalachian Power Company	2,375
E03	Kentucky Power Company	424
E04	Indiana Michigan Power Company	2,328
E06	Wheeling Power Company	61
E07	Ohio Power Company	2,177
E10	Columbus Southern Power Co	1,115
E16	Houston Pipe Line Company LP	255
E48	River Transportation Div I&MP	301
E54	Conesville Coal Prep Co	34
E61	AEP Service Corporation	6,209
ECC	AEP Texas Central Company	993
EEE	CSW Energy, Inc.	41
EEL	AEP Elmwood LLC	143
EMO	AEP MEMCO	413
EPP	Public Service Co. of OK	1,138
ESS	South Western Electric Power Co	1,199
EWV	AEP Texas North Company	415
	Total	19,679

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

AEP should file an annual report containing the years of service at Kentucky Power and the salaries of professional employees transferred from Kentucky Power to AEP or its subsidiaries filed in conjunction with the annual transfer of employees report. [Reference: Merger Agt., Ky. PSC Order 6/14/99, Reporting Requirements, Pg. 12, Item 2]

RESPONSE:

Listed below is the annual report for twelve months ending December 31, 2004 showing the years of service and the salaries of the professional employees transferred from Kentucky Power Company to AEP or one of its subsidiaries, filed in conjunction with Item No. 3.

Kentucky Power Transferees - 12 months ending 12/31/2004				
Company	Employee Name	Eff Date	Total Years of Service	Annual Salary
AEP Service Corporation	Alleshouse, Todd W	2004-07-31	26	\$102,500.00
Ohio Power Company	Fleming, David K	2004-07-31	25	\$53,976.00

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

AEP should file an annual report of cost allocation factors in use, supplemented upon significant change. [Reference: Merger Agt., Ky. PSC Order dated 6/14/99, Reporting Requirements, Pg. 12 Item 3]

RESPONSE:

The cost allocation factors used by Kentucky Power Company and other AEP System companies are described in the Cost Allocation Manual (CAM) filed May 2001 as Attachment 1, Item No. 2. AEP received approval from the Securities and Exchange Commission on September 18, 2001 for eleven new cost allocation factors that are incorporated in the CAM. This information was filed with the Kentucky Commission in memo form on January 30, 2001 (Case No. 99-149).

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

AEP should file summaries of any cost allocation studies when conducted and the basis for the methods used to determine the cost allocation in effect. [Reference: Merger Agt., Ky. PSC Order dated 6/14/99, Reporting Requirements, Pg. 12, Item 4]

***Pursuant to the Commission's Order dated June 14, 2004, the information pertaining to this data request shall be filed on an annual basis.*

RESPONSE:

Kentucky Power Company did not perform any cost allocation studies during the twelve months ending December 31, 2004. The methods used by Kentucky Power Company for cost allocation are documented in the AEP Cost Allocation Manual.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

AEP should file an annual report of the methods used to update or revise the cost allocation factors in use supplemented upon significant change. [Reference: Merger Agt., Ky. PSC Order dated 6/14/99, Reporting Requirements, Pg. 12, Item 5]

RESPONSE:

The methods used to update or revise the cost allocation factors used by Kentucky Power Company and other AEP System companies were not significantly changed during the year ended December 31, 2004. Allocation factors are revised periodically each year (e.g., monthly, quarterly, semi-annually and annually) based on the most current statistics available for each factor. The allocation factors in use are documented in the Cost Allocation Manual (CAM) filed May 2001 as Attachment 1, Item No. 2.

AEP received approval from the Securities and Exchange Commission on September 18, 2001 for eleven new cost allocation factors that are incorporated in the CAM. This information was filed with the Kentucky Commission in memo form on January 30, 2001 (Case No. 99-149).

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

AEP should file the current Articles of Incorporation and bylaws of affiliated companies in businesses related to the electric industry or that would be doing business with AEP.

[Reference: Merger Agt., Ky. PSC Order dated 6/14/99, Reporting Requirements, Pg. 12, Item 6]

RESPONSE:

Please see the Company's response to Item No. 11 filed with the Commission on December 8, 2000.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

AEP should file the current Articles of Incorporation of affiliated companies involved in non-related business. [Reference: Merger Agt., Ky. PSC Order dated 6/14/99, Reporting Requirements, Pg. 12, Item 7]

RESPONSE:

See the Company's response to Item No. 11 filed with the Commission on December 8, 2000.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

To the extent that the merger is subject to conditions or changes not reviewed in this case, the Joint Applicants should amend their filing to allow the Commission and all parties an opportunity to review the revisions to ensure that Kentucky Power and its customers are not adversely affected and that any additional benefits flow through the favored nations clause. [Reference: Merger Agt., Ky. PSC Order dated 6/14/99, Reporting Requirements, Pgs. 12-13]

RESPONSE:

There were no changes during the period ending December 31, 2004 to the terms and conditions of the settlements in any jurisdiction that would adversely affect the settlement reached in the Commonwealth of Kentucky or cause additional benefits to flow through the favored nation clause.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

The Joint Applicants should submit copies of final approval received from the FERC, SEC, FTC, DOJ, and all state regulatory commissions to the extent that these documents have not been provided. With each submittal, the Joint Applicants shall further state whether Paragraph 10 of the Settlement Agreement requires changes to the regulatory plan approved herein. [Reference: Merger Agt., Ky. PSC Order dated 6/14/99, Pg. 14 Item 7]

RESPONSE:

Please see the Company's response to Item No. 14 filed with the Commission on December 8, 2000.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

Provide annual Service Reliability Report addressing the duration and frequency of customer disruptions (CAIDI and SAIFI), including storms for calendar 2004.
[Reference: Merger Agt., Attachment C, Pg. 1, Item 1]

RESPONSE:

The overall Customer Average Interruption Duration Index (CAIDI), including major events, for Kentucky Power Company (KPCo) customers during calendar 2004 was 7.82 hours per customer interrupted. The overall System Average Interruption Frequency Index (SAIFI), including major events, for KPCo customers during calendar 2004 was 3.27 interruptions per customer served.

Major events were declared during May 26 through June 5 for a series of severe thunderstorms and during September 16 – 20 for the remnants of Hurricane Ivan.

KPCo has previously reported on its changes in outage recording systems. Making comparisons to the 1995-1998 values is very difficult because of the numerous advancements in outage recording technology. The ultimate results are more accurate outage customer count and outage duration values.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

Provide annual Call Center Performance Measures for those centers that handle Kentucky customer calls (Call Center Average Speed of Answer (ASA) Abandonment Rate, and Call Blockage), for calendar year 2004. [Reference: Merger Agt., Attachment C, Pg. 1, Item 2]

RESPONSE:

A summary of AEP's Customer Solution Center's Performance Measures for Kentucky customer calls in calendar year 2004:

Measure	Value
Average Speed of Answer	45 seconds
Abandonment	5.5%
Network Blockage	0.50%

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

[AEP] Will continue to completely inspect its Kentucky electric facilities every two years and perform tree trimming, lightning arrestor replacement, animal guarding and pole and cross arm replacements. Provide data for calendar year 2004.

[Reference: Merger Agt., Case No. 99-149, Attachment C, Page 1, Item 3]

RESPONSE:

In calendar year 2004, Kentucky Power Company essentially completed the work necessary to completely inspect its electric facilities over the two-year period 2003-2004. Please note that the 2003 circuits and miles were under reported previously with the corrected units being 72 (previous 71) circuits and 4,601 (previous 3,039) miles. Upon detailed review of the two-year 2003-2004 program results, two circuits were identified from 2003 as having been inspected but these did not have the required inspection documentation. These two circuits and mileages are not included in the corrected 2003 numbers above and both circuits have already been inspected and documented earlier this year.

Kentucky Power continues to perform tree trimming, lightning arrestor replacement, animal guarding, and pole and cross arm replacements as needed.

Kentucky Power provides the following statistics for work done in its service territory in 2004:

- AEP sought and obtained approval from Mike Nantz to use circuit miles instead of poles as the measure for the two-year cycle inspection. The total circuit miles of conductor in Kentucky are 9,545 miles. These miles are contained in 197 distribution circuits. There were 132 complete circuits consisting of approximately 5,284 circuit miles inspected in 2004.
- Inspected 11,147 poles as part of the ground-line treatment program. Poles were replaced or refurbished as necessary.
- Completed right-of-way maintenance work on 2,007 miles of distribution line.

AEP continues its asset management programs to review the performance of its facilities and to make prudent improvements to continue providing reliable and cost-effective electric service to its Kentucky customers.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

AEP/Kentucky Power management will compile outage data detailing each circuit's reliability performance. In addition, by monitoring repeated outages on a regular basis, the Company will identify and resolve reliability problems, which may go unnoticed by using CAIDI and SAIFI results. This data will be coupled with feedback from district field personnel and supervision and management concerning other locations and situations where the impacts of outages are quantified. This process will be used to develop a comprehensive work plan each year, which focuses efforts to improve service reliability. The Company will undertake all reasonable expenditures to achieve the goal of limiting customer outages. [Reference: Merger Agt., Attachment C, Pg. 1, Item 4]

RESPONSE:

Kentucky Power continues to compile outage data detailing each circuit's reliability performance. Worst performing circuits are identified considering CAIDI, SAIFI, and repeat outages, as well as those with outage causes that can be addressed through existing asset improvement programs targeting animal, lightning, small conductor failure, and tree caused outages. This allows for the identification of areas needing reliability improvements and for the development of work plans to optimize system performance where within utility control.

Work plans are developed by combining reliability performance with input from field personnel to identify areas that do not satisfy ranking criteria alone. Work plans include ground line treatment of poles; improved fault isolation by installing additional sectionalizing devices; recloser maintenance; and system improvements required due to facility loading, voltage control, and reliability performance.

WITNESS: Errol K. Wagner

**Kentucky Power Company
d/b/a
American Electric Power**

REQUEST:

Plans to continue to maintain a high quality workforce to meet customers' needs.
[Reference: Merger Agt, Attachment C, Pg. 2, Item 5]

RESPONSE:

The Company has maintained a high quality workforce which met the customers needs in providing electrical service.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

AEP shall designate an employee who will act as a contact for State Commissions and consumer advocates seeking data and information regarding affiliate transactions and personnel transfers. Such employee shall be responsible for providing data and information requested by a State Commission for any and all transactions between the jurisdictional operating company and its affiliates, regardless of which affiliate(s) subsidiary(ies) or associate(s) of an AEP operating company from which the information is sought. [Reference: Merger Agt., Stipulation and Settlement, Pg. 11, Item Q]

RESPONSE:

Mr. Errol K. Wagner, AEP-Kentucky Regulatory Services Director, is the contact designee for the Kentucky Public Service Commissioners and Staff and the Kentucky Attorney General's Office regarding affiliate transactions and personnel transfers.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

Please provide designated employee or agent within Kentucky who will act as a contact for retail customers regarding service and reliability concerns and provide a contact for retail consumers for information, questions and assistance. Such AEP/Kentucky Power representative shall be able to deal with billing, maintenance and service reliability issues. [Merger Agt., Stipulation and Settlement, Pg. 11, Item R]

RESPONSE:

The Company would prefer customers to initially call the Customer Solution Centers, whose representatives are capable of answering questions concerning service, reliability concerns and billing issues. However, the AEP-Kentucky Regulatory Services Department, specifically the Regulatory Services Director, are also capable of dealing with billing, maintenance and service reliability issues.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

AEP shall provide each signatory state a current list of employees or agents that are designated to work with each State Commission and consumer advocate concerning state regulatory matters, including, but not limited to, rate cases, consumer complaints, billing and retail competition issues. [Reference: Merger Agt., Stipulation and Settlement, Pg. 11, Item 5.]

RESPONSE:

Mr. Errol K. Wagner, AEP-Kentucky Regulatory Services Director, and the AEP-Kentucky Regulatory Services Department staff are the designated employees to work with Kentucky Public Service Commission and the Kentucky Attorney General's Office concerning state regulatory matters, including, but not limited to rate cases, consumer complaints, billing and retail competition issues.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

The Company further commits to maintain in Kentucky a sufficient management team to ensure that safe, reliable and efficient electric service is provided and to respond to the needs and inquiries of its Kentucky customers.

[Reference: Merger Agt., Attachment C, Pg. 2, Item 6a]

RESPONSE:

The Company has maintained a sufficient management team in Kentucky to ensure that safe, reliable and efficient electric service is provided and the Company has responded to the needs and inquiries of its customers.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST:

AEP shall contract with an independent auditor who shall conduct biennial audits for ten years after merger consummation of affiliated transactions to determine compliance with the affiliate standards outlined in the Stipulation and Settlement Agreement. The results of such audits shall be filed with the State Commissions. Prior to the initial audit, AEP will conduct an informational meeting with State Commissions regarding how its affiliates and affiliate transactions will or have changed as a result of the proposed merger.
[Reference: Stipulation and Settlement Agreement, Page 11, Section 8(V)]

RESPONSE:

Kentucky Power Company continues to adhere to all applicable affiliate standards. In light of the General Assembly's enactment of HB 897 (KRS 278.2201 et seq.) in 2000, and the express terms of the Merger Settlement Agreement and the Order approving the agreement, the affiliate standards and requirements contained in the Merger Settlement Agreement have been superseded by statute. *See, Order, Joint Application of Kentucky Power Company, American Electric Power Company, Inc., and Central and South West Corporation Regarding a Proposed Merger, P.S.C. Case No. 99-149 at 8 (affiliate standards and guidelines set out in Merger Settlement Agreement to "remain in effect 'until new affiliate standards imposed by either the Commission or by the General Assembly.'")* Accordingly, Kentucky Power Company will not be conducting a biennial audit of affiliated transactions as contemplated by the now superseded standards.

WITNESS: Errol K. Wagner